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SIPDIS

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SUBJECT: KRG PRESIDENT BARZANI, CODEL MCCAIN DISCUSS
KURD-ARAB RELATIONS

REF: 08 BAGHDAD 2423

Classified By: Political Minister Counselor Gary Grappo for reasons 1.4
(b) and (d).

11. (C) SUMMARY: Kurdistan Regional Government (KRG) President Masoud Barzani reaffirmed to CODEL McCain August 15 that the Kurds will forever be an ally of the United States. Barzani claimed the KRG was ready to resolve the host of Arab-Kurd issues -- including disputed internal boundaries (DIBs) and a hydrocarbons law -- but accused the GOI of stalling. He was harshly critical of GOI PM Maliki, questioned the GOI commitment to democracy and federalism, complaining that the GOI had yet to pay the KRG its full budget allocation. President Barzani and KRG PM Nechirvan Barzani placed the onus on Maliki to take concrete steps to resolve Arab-Kurd issues and re-build trust. END SUMMARY.

12. (U) U.S. participants: Sens. John McCain, Susan Collins, Lindsey Graham; Ambassador Hill, POL M/C Grappo, Poloff notetaker. Primary Iraqi participants: KRG President Masoud Barzani, KRG PM Nechirvan Barzani, KRG House Speaker Adnan Mufti.

13. (SBU) During an August 15 meeting with visiting CODEL McCain, KRG President Barzani expressed his appreciation for the U.S. men and women in uniform. The Kurds had the utmost respect for the American people, as evidenced by the fact that no American blood has been shed in Kurdistan, he said. Barzani expressed his pleasure with the outcome of the KRG provincial elections (where he won nearly 70% of the vote for the presidency) and said there was no serious challenge to the results. He said his good relations with both Ambassador Hill and GEN Odierno allowed him to stand ready to cooperate on any issue. Stressing that the Kurds would forever be aligned with the United States, he stated that "the United States made the right decision to stay with Iraq." Barzani briefly described some of the atrocities that the Kurds suffered under Saddam. He then reminded everyone how he and Talabani had put aside their differences, formed an alliance, and came to Baghdad to carve out a future for Kurdistan. That future was based on the Iraqi Constitution, which he characterized as "democratic and federal."

Article 140 or Bust

14. (C) In response to Sen. McCain's question about Arab-Kurd relations and the contentious issues that they face, Barzani restated that Article 140 will determine the disputed border and that the process (normalization, census, referendum) must be implemented. However, he accused Baghdad of being remiss in implementing Article 140. He said there is a growing nationalistic-patriotic stance that is extremely anti-Kurd. He accused the Iraqi people of forgetting the Kurds' tortuous history. He complained that the GOI had failed to integrate the Peshmerga and continually threatened to cut off the KRG

budget in order to create leverage over the Kurds. He credited GEN Odierno with resolving Khanaqin (reftel), but noted that the IA had confronted the Peshmerga with a few tanks during that episode. How could the Kurds trust the GOI now, when it was in the process of acquiring 2,200-3,000 new tanks? Barzani asked. If these anti-Kurd trends continued, the future of the Kurds would be in question.

15. (C) Barzani cast doubt on GOI's commitment to the constitution and to democracy in general. He said he needed a good faith concrete gesture to allow him to be more generous with the Arabs and Turkomen in Kirkuk. Kirkuk was the model of peaceful coexistence, but different religious sects were trying to destroy it. He stated the Kurds were ready to solve Kirkuk's status, without delay, because they believed the issue was a time bomb ready to explode. He claimed that even before the Baath regime, no one was committed to resolving the issue. He said the Kurds had no doubt about Kirkuk's status, but that the people of Kirkuk should have the final say.

Hydrocarbons Law

16. (C) Barzani heatedly rejected Sen. Graham's intimation that the Kurds have been unreasonable about the hydrocarbons law. He said that in 2007 the KRG and GOI had agreed to the terms of the February 2007 draft hydrocarbons law, but the Council of Representatives (COR) did not pass the law. Barzani acknowledged that the KRG has continued to sign oil contracts even in the absence of the law. He criticized the GOI for having allocated USD 8 billion to the Oil Ministry,

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only to see a decrease in oil production with no additional development of oil infrastructure. By comparison, he said the KRG had been signing oil exploration contracts. As a good faith gesture, the KRG had agreed to give 100,000 bpd to the national oil pipeline, with the expectation that only 17% of the revenue would come back to the KRG. Barzani stated that this arrangement was in accordance with the Iraqi constitution. (NOTE: This arrangement is contained in the current GOI budget, and would be made permanent and automatic if the proposed Revenue Management Law is passed. END NOTE) PM Nechirvan Barzani insisted that if and when the KRG sells oil, it should get 17% of the revenue. Speaker of the House Adnan Mufti added that the Iraqi Kurdistan Parliament (IKP) had passed an oil law that is aligned with the Iraqi constitution.

KRG Budget Must be Guaranteed

17. (C) Mufti asserted that there is no culture of democracy in Baghdad, only a mindset of dictatorship. "Baghdad looks upon us as subordinates, not as partners." Nechirvan chimed in, "We cannot be at the mercy of Baghdad." He impatiently said, "I want guarantees. If GOI wants to hold back our money, we can cut off the oil!" He stated that the GOI and the PM have too much control, and cited that the GOI is in arrears in paying the KRG 265 million dinars of its budget allocation. He stated that the wounds are too deep for Baghdad to heal with mere democratic slogans. "We need a formula on how to live together," Nechirvan said, "and a revenue sharing agreement will help us." He suggested that the United States can help bring the Kurds and Arabs closer together.

18. (C) Nechirvan asserted that there is an unfortunate political mentality in Baghdad: "Rule by strength not democracy or consensus." Visibly agitated, he added, "When the Arabs are weak, they need us. Once they become strong, they come back to repress us!" Nechirvan interpreted Obama's "responsible withdrawal" to mean that the USG retained a strong commitment to Iraq. However, he questioned whether it

would be possible for the United States to leave and not care what happened next.

Amcits in Iran

¶9. (C) Regarding the three Amcits in Iranian custody, Nechirvan said KRG intelligence sources indicate that the Americans had arranged to enter Iran through an unknown interlocutor in Damascus. Nechirvan said the KRG is investigating this matter further to determine who may have else may have been involved. He noted that Iranian security forces are positioned on the mountain near the border and have full visibility of any individuals attempting to cross over. He commented that most foreigners visited Kurdistan in groups and that it was unusual for tourists to visit on their own. He also noted the, the area visited by the Americans is one of Kurdistan's less attractive sites and not a popular destination.

¶10. (C) COMMENT: The two Barzanis were more animated than usual, likely reflecting increasing Kurdish anxiety as they enter a national campaign season in which anti-Kurd sentiments might be used by some to rally voters. Their comments also reflect the Kurds' anger and frustration with what they see as Maliki's game-playing on hydrocarbons, Peshmerga integration, and the Article 140 process. That said, the finger-pointing goes both ways, as GOI Qsaid, the finger-pointing goes both ways, as GOI interlocutors claim that the fault lies with Kurdish overreaching. END COMMENT.

¶11. (U) The CODEL has not had the opportunity to clear this cable.
HILL